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FISCAL IMPACT REPORT

SPONSOR: Moore DATE TYPED: 2/13/03 HB 388
 SHORT TITLE: Abolish Construction Industries Commission SB _____
 ANALYST: Maloy

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	(\$6,142.0)			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$4,234.3)		Recurring	General Fund
	Indeterminate		Recurring	Local

*See FISCAL IMPACT statement below.

SOURCES OF INFORMATION

Responses Received From

Construction Industries Division, Regulation and Licensing Department
 State Highway and Transportation Department

SUMMARY

Synopsis of Bill

House Bill 388 abolishes the Construction Industries Division (CID) and the Construction Industries Commission (CIC). The bill grants authority to local governments to “regulate all aspects of construction, contracting and contractors, including the examination and licensure of contractors, the establishment of codes and standards that govern contracting and construction and the inspection of construction.”

Significant Issues

1. The regulation of the construction industry is central to promoting public safety. The construction of our structures, be it a home, school or library, is something that effects every person in New Mexico.
2. Safety in construction is promoted through examination and licensure (ensuring qualified, knowledgeable persons are building our homes and schools) and through permitting, inspections, and enforcement (requiring that substandard work be corrected).
3. In addition to promoting public safety, the regulation of the construction industry helps curb incidents of consumer fraud.
4. For New Mexico, one of the construction industries most significant accomplishments is having a statewide, uniform regulatory framework. 42 states have statewide licensing of this industry.

This statewide, uniform regulatory framework allows contractors to work throughout the state without having to obtain multiple licenses, pay multiple fees, and without having to continually modify their construction practices to accommodate complying with varying safety standards.

Multiple regulatory jurisdictions, having different exams, permits, codes, and enforcement practices, would complicate working in the industry and economic development would likely be compromised.

5. CID currently provides inspections in the most rural areas of the State. Small municipal governments do not have the resources necessary to support an independent / local building program. This means many areas would be without any safety code enforcement or fraud controls.
6. Political subdivisions that can support their own building department already have the authority to undertake local code adoption, plan review and permitting, and inspections.

Note: With regard to the local code adoption, the local governing bodies are bound by the codes standards that CID and the CIC adopt as minimums. This means local governing bodies are unable to compromise basic safety principles, but can adopt more stringent / safer standards.

CID and the CIC have been diligent in promoting the interests of local entities wanting to establish a building department (whether comprehensive, or in part). However, in many instances, political subdivisions throughout the state want to bring revenues from regulating construction in locally, but they lack the personnel, expertise, and resources to develop a comprehensive building department. For instance, a local entity may be able to do its own **general construction** plan review, permitting and inspections. But, it is unable to perform these same duties in the electrical, plumbing, mechanical or LP Gas trades. In such instances, the CID supplements the local program by providing the electrical, plumbing, mechanical and LP Gas regulatory oversight.

7. In addition to the construction expertise and personnel necessary for local entities to have a functional building department, local governing bodies would find it challenging to address the administrative elements of examinations and licensure, and more importantly of complaint resolution, consumer protection and unlicensed contracting.

CID conducts these administrative duties for all of the state. The failure of a local entity to effectively address complaints and unlicensed contracting may result in economic harm to its citizens.

8. CID has historically worked with state agencies and local governments to provide assistance in emergencies, such as the burning of Los Alamos. CID made rebuilding Los Alamos a priority.
9. The cost of construction fees would increase at the local level. Currently, CID's building permit and inspection fees are routinely 1/5th of the price of local permit and inspection fees.

FISCAL IMPLICATIONS

The FY03 Operating Budget for CID is \$6,142.0 in general fund. If CID is abolished, this would be a recurring saving to the general fund. The division is funded for 95 FTE that would likely be transferred to other agencies, or be subject to a reduction in force.

RLD reports FY02 revenue of \$4,234.3 that now goes to the general fund, and would be a recurring loss to the general fund. In FY02, CID collected \$3,681.2 in plan review, permit and other various fees, and \$1,643.5 in licensing fees. Of the licensing fees, \$1,090.1 is retained by contractors that provide "privatized" licensing and testing services, and CID receives the remaining \$553.1.

The \$4,234.3 in fee revenue to the general fund is the total of \$3,581.2 in permit and other fees, and \$553.1 in the state's portion of license fees.

The revenue to local counties and municipalities may increase, but it is not likely to be adequate to support the required level of expenditures to private safety code inspections and enforcement, and to handle consumer complaints.

ADMINISTRATIVE IMPLICATIONS

95 FTE will be transferred or subject to a reduction in force.

CID currently subsidizes many activities within the Regulation and Licensing Department because it is the department's largest division. Other divisions will suffer with the loss of CID revenue.

SJM/njw